



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	SB0380	<b>Title:</b>	Increase coal tax trust fund money available for MT veteran home loans
<b>Primary Sponsor:</b>	Larsen, Cliff	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
Other - Proprietary	\$12,500	\$37,500	\$50,600	\$51,800
<b>Revenue:</b>				
General Fund	(\$37,000)	(\$55,500)	(\$50,600)	(\$27,800)
Other - Proprietary	\$12,500	\$37,500	\$50,600	\$51,800
<b>Net Impact-General Fund Balance:</b>	<u>(\$37,000)</u>	<u>(\$55,500)</u>	<u>(\$50,600)</u>	<u>(\$27,800)</u>

**Description of fiscal impact:** This bill makes an additional \$10.00 million available to the Montana Veteran's Home Loan Mortgage Program from money invested by the Board of Investments (BOI) from the permanent coal tax trust fund to be administered by the Board of Housing (BOH). Program costs are paid from interest earned on the mortgage loans with the remaining interest and all principal going into the permanent coal tax trust fund.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Commerce**

1. SB 380 allocates an additional \$10.00 million from the permanent coal tax trust fund to fund loans to first-time eligible veteran home buyers. The actual number of loans that will be made depends upon the number of eligible borrowers accessing the program. The Board of Housing would administer the program.
2. The program would be modeled after the existing arrangement between BOI and BOH for residential mortgage loans financed by state pension funds. BOI will handle the fiduciary responsibility for the all

cash flow out and into the permanent coal tax trust fund, and BOH would administer the program portion. All funds would remain at all times under the control of BOI.

3. It is assumed the average loan size would be approximately \$200,000. Twenty five loans would be made in FY 2016 for a total of \$5.00 million in loans. The loans would not all be lent at the beginning of the fiscal year, so an average of \$2.50 million is used to calculate FY 2016 costs and income.
4. Twenty five loans would be made in FY 2017 for \$5.00 million for the total \$10.00 million with the full costs and income not being realized until FY 2018, due to averaging. For the purposes of this fiscal note, it is assumed that these loans would be drawn from the permanent coal tax trust fund throughout each fiscal year, disbursing funds only when needed.
5. The bill authorizes the BOH to take the servicing fee and its administrative charges from the interest paid by the borrower.
6. The loans would be made from funds that are currently invested in the Board of Investment's Trust Funds Investment Pool (TFIP), interest from which is deposited in the general fund. The cost to the general fund is the difference between what the funds would earn invested in the TFIP and the "net" interest on the loans after BOH costs are paid.

	FY 2016	FY 2017	FY 2018	FY 2019
Principal Invested (average)	\$ 2,500,000	\$ 7,500,000	\$ 10,000,000	\$ 10,000,000
TFIP Yield	3.730%	3.490%	3.250%	3.010%
G/F Interest Earnings Current Law	\$ 93,250	\$ 261,750	\$ 325,000	\$ 301,000
Loan Principal (average)	\$ 2,500,000	\$ 7,500,000	\$ 10,000,000	\$ 10,000,000
Loan Yield	2.75%	3.25%	3.25%	3.25%
Loan Interest Earned	\$ 68,750	\$ 243,750	\$ 325,000	\$ 325,000
Gross General Fund Gain/Loss	\$ (24,500)	\$ (18,000)	\$ -	\$ 24,000
BOH Bank Servicing Fee (0.375%)	\$ (9,375)	\$ (28,125)	\$ (37,500)	\$ (37,500)
BOH Admin Costs (0.125%)	\$ (3,125)	\$ (9,375)	\$ (12,500)	\$ (12,500)
BOH Foreclosure Fees	\$ -	\$ -	\$ (600)	\$ (1,800)
BOH Costs	\$ (12,500)	\$ (37,500)	\$ (50,600)	\$ (51,800)
Net Gain/Loss to General Fund	\$ (37,000)	\$ (55,500)	\$ (50,600)	\$ (27,800)

	<b><u>FY 2016 Difference</u></b>	<b><u>FY 2017 Difference</u></b>	<b><u>FY 2018 Difference</u></b>	<b><u>FY 2019 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>FTE</b>	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$6,250	\$18,750	\$25,300	\$25,900
Operating Expenses	<u>\$6,250</u>	<u>\$18,750</u>	<u>\$25,300</u>	<u>\$25,900</u>
<b>TOTAL Expenditures</b>	<b><u>\$12,500</u></b>	<b><u>\$37,500</u></b>	<b><u>\$50,600</u></b>	<b><u>\$51,800</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other - Proprietary (06)	<u>\$12,500</u>	<u>\$37,500</u>	<u>\$50,600</u>	<u>\$51,800</u>
<b>TOTAL Funding of Exp.</b>	<b><u>\$12,500</u></b>	<b><u>\$37,500</u></b>	<b><u>\$50,600</u></b>	<b><u>\$51,800</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$37,000)	(\$55,500)	(\$50,600)	(\$27,800)
Other - Proprietary (06)	<u>\$12,500</u>	<u>\$37,500</u>	<u>\$50,600</u>	<u>\$51,800</u>
<b>TOTAL Revenues</b>	<b><u>(\$24,500)</u></b>	<b><u>(\$18,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$24,000</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$37,000)	(\$55,500)	(\$50,600)	(\$27,800)
Other - Proprietary (06)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*